

**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION**

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In re	:
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CITY OF DETROIT, MICHIGAN,	:
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Debtor.	:
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Chapter 9  
Case No. 13-53846  
Hon. Thomas J. Tucker

**SUPPLEMENTAL STATEMENT OF THE CITY  
OF DETROIT REGARDING THE ALLOCATION OF  
NEW B NOTES TO HOLDERS OF OTHER UNSECURED  
CLAIMS IN CLASS 14 UNDER THE EIGHTH AMENDED PLAN  
FOR THE ADJUSTMENT OF DEBTS OF THE CITY OF DETROIT**

The City of Detroit (the "City") hereby files this Supplemental Statement, pursuant to the Court's instruction on the record at the hearing conducted on April 15, 2015, to explain the allocation of New B Notes to holders of Allowed Other Unsecured Claims in Class 14 under the confirmed *Eighth Amended Plan for the Adjustment of Debts of the City of Detroit* (Docket No. 8045) (the "Plan" or, where necessary to distinguish between versions,

the "8th Amended Plan").<sup>1</sup> In support of this Supplemental Statement, the City respectfully represents as follows:<sup>2</sup>

**The Treatment of Other Unsecured Claims in Class 14 Under the Plan**

1. Under the Plan, each holder of an Allowed Other Unsecured Claim in Class 14 will receive a Pro Rata share of certain New B Notes.

In particular, the Plan provides that:

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Other Unsecured Claim, in full satisfaction of such Allowed Claim, shall receive (A) on or as soon as reasonably practicable after the Effective Date, a Pro Rata share of approximately \$16.48 million in New B Notes and (B) distributions in accordance with Section II.B.3.p.i.A.

Plan, at § II.B.3.u.i.

2. Section II.B.3.p.i.A of the Plan in turn provides for the Pro Rata distribution of "approximately \$4.12 million" in certain Excess New B Notes "among holders of Allowed Other Unsecured Claims in Class 14." Plan, at § II.B.3.p.i.A.

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<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings given to them in the Plan.

<sup>2</sup> In particular, the Court requested information relating to the calculation of the precise dollar amount of New B Notes issued for distribution to holders of Allowed Claims in Class 14 because the Plan treatment provisions generally refer only to "approximate" amounts.

3. Consistent with the terms of the Plan, on the Effective Date, the City issued a total of **\$20,596,747** in aggregate principal amount of New B Notes on account of Allowed Other Unsecured Claims in Class 14.<sup>3</sup> This amount consisted of: (a) \$16,480,318 in aggregate principal amount of New B Notes allocated to Class 14 in Section II.B.3.u.i of the Plan (and referred to therein as "approximately \$16.48 million"); and (b) \$4,116,429 in aggregate principal amount of Excess New B Notes allocated to Class 14 in Section II.B.3.p.i.A of the Plan (and referred to therein as "approximately \$4.12 million"), all as more fully described below.

#### **Issuance of the New B Notes**

4. The Plan provides that the City would issue certain New B Notes by the Effective Date, the terms of which are substantially as summarized on Exhibit I.A.246 thereto. See Plan, at § IV.B (providing for the execution of the applicable documents and the issuance of the New B Notes by the Effective Date); id. at § I.A.246 (defining "New B Notes" as "the unsecured bonds to be issued by the City pursuant to the New B Notes Documents, substantially on the terms set forth on Exhibit I.A.246"). Exhibit I.A.246 to the Plan provides that, among other

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<sup>3</sup> These New B Notes were issued to the third-party Disbursing Agent retained by the City to make distributions to holders of Allowed Claims in Class 14.

things, the New B Notes would be issued in the initial principal amount of \$632,000,000. Plan, at Ex. I.A.246.<sup>4</sup>

5. The allocation of New B Notes under the Plan is based upon a two step process: (a) *first*, the initial allocation of New B Notes among Class 9 (COP Claims), Class 12 (OPEB Claims), Class 13 (Downtown Development Authority Claim) and Class 14 (Other Unsecured Claims); and (b) *second*, the subsequent reallocation of certain of the New B Notes that were initially allocated to Class 9 (COP Claims) (defined in the Plan as "Excess New B Notes") to certain other classes in accordance with the terms of settlements entered into among the applicable parties.

#### **Step 1: Initial Allocation of the New B Notes**

6. The initial allocation of New B Notes under the 8th Amended Plan was consistent with the methodology to allocate New B Notes established in

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<sup>4</sup> In accordance with Section IV.B of the Plan, on the Effective Date, the City issued New B Notes in the initial principal amount of \$631,964,145 to be distributed pursuant to the terms of the Plan. The difference of \$35,855 between the principal amount of New B Notes provided for on Exhibit I.A.246 to the Plan and the amount actually issued arose as a result of the need to provide whole-dollar recoveries to holders of Allowed Limited Tax General Obligation Bond Claims in Class 7 under the Plan. See Plan, at § V.I.3. This difference did not affect recoveries to holders of Allowed Other Unsecured Claims in Class 14 under the Plan, which were calculated based upon an initial principal amount of New B Notes of \$632,000,000, as provided for on Exhibit I.A.246.

the *Fourth Amended Plan for the Adjustment of Debts of the City of Detroit* (Docket No. 4392) (the "4th Amended Plan") (the solicitation version of the Plan) and its accompanying *Fourth Amended Disclosure Statement With Respect to Fourth Amended Plan for the Adjustment of Debts of the City of Detroit* (Docket No. 4391) (the "Disclosure Statement").

7. The 4th Amended Plan contemplated that (a) \$450,000,000 in aggregate principal amount of New B Notes would be allocated on account of Class 12 (OPEB Claims)<sup>5</sup> and (b) the remaining aggregate principal amount of New B Notes would be distributed Pro Rata among holders of Allowed Claims in each of Class 7 (Limited Tax General Obligation Bond Claims), Class 9 (COP Claims), Class 13 (Downtown Development Authority Claim) and Class 14 (Other Unsecured Claims) based on the estimated amount of claims in those classes set forth in the Disclosure Statement. See 4th Amended Plan, at §§ II.B.3.n.ii, p.iii, s.ii, t.ii, u.i (providing, respectively, for the treatment of Limited Tax General Obligation Bond Claims, COP Claims, OPEB Claims, Downtown Development

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<sup>5</sup> The 8th Amended Plan also provides for the distribution of a total of \$450,000,000 in New B Notes on account of OPEB Claims, among other consideration. See Plan, at § II.B.3.s.ii.A (providing for the distribution of an aggregate principal amount of \$218,000,000 in New B Notes to the Detroit General VEBA); id. at § II.B.3.s.ii.B (providing for the distribution of an aggregate principal amount of \$232,000,000 in New B Notes to the Detroit Police and Fire VEBA).

Authority Claim and Other Unsecured Claims); Disclosure Statement, at § III.B.2 (summarizing the treatment of classified claims under the 4th Amended Plan).

8. Consistent with this methodology, the New B Notes were initially divided under the 8th Amended Plan among Classes 9, 12, 13 and 14<sup>6</sup> by allocating: (a) an aggregate principal amount of \$450,000,000 of the New B Notes to Class 12 on account of OPEB Claims; and (b) the remaining aggregate principal amount of \$182,000,000 of New B Notes among Classes 9, 13 and 14 based upon the estimated aggregate allowed amount of claims in each of those Classes set forth in the Disclosure Statement.

9. The initial allocation of New B Notes under the 8th Amended Plan is summarized in the following table:

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<sup>6</sup> The primary difference in the initial allocation of New B Notes in the 8th Amended Plan as compared to the 4th Amended Plan is that no New B Notes are initially allocated on account of Limited Tax General Obligation Bond Claims due to changes in the primary Plan consideration for that Class. In contrast to the 4th Amended Plan, recoveries under the 8th Amended Plan to holders of Allowed Limited Tax General Obligation Bond Claims are provided in forms of consideration other than New B Notes (other than the Excess New B Notes described below as Step 2 of the allocation process). See Plan, at § II.B.3.n.ii (providing for recoveries on Allowed Limited Tax General Obligation Bond Claims in the form of Cash or New LTGO Bonds in addition to certain Excess New B Notes).

<b>Class No.</b>	<b>Type of Claim</b>	<b>Estimated Aggregate Allowed Amount of Claims in Class</b>	<b>Initial Allocation of New B Notes</b>
9	COP Claims	Up to \$1,472,921,460 (rounded to \$1,473,000,000 in Disclosure Statement)	\$161,828,091 (88.917% Pro Rata share) <sup>7</sup>
12	OPEB Claims	\$4,303,000,000	\$450,000,000 (fixed share)
13	Downtown Development Authority Claim	\$33,600,000	\$3,691,591 (2.028% Pro Rata share) <sup>8</sup>
14	Other Unsecured Claims	\$150,000,000	\$16,480,318 (9.055% Pro Rata share)
<b>TOTAL:</b>			<b>\$632,000,000</b>

10. In accordance with the foregoing formula, therefore, \$16,480,318 in aggregate principal amount of New B Notes initially was allocated to Class 14 on account of Allowed Other Unsecured Claims. This amount was then supplemented by certain Excess New B Notes, as described below.

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<sup>7</sup> The Pro Rata share is based on the percentage of the total of \$1,656,521,460 estimated claims in Classes 9, 13 and 14 as set forth in the Disclosure Statement.

<sup>8</sup> Pursuant to the FGIC/COP Settlement Documents, the Downtown Development Authority assigned to FGIC all of its right, title and interest to its distribution of New B Notes under the Plan on account of the Downtown Development Authority Claim. See Plan, at Ex. I.A.197.

## **Step 2: Allocation of the Excess New B Notes**

11. Pursuant to the FGIC/COP Settlement and the Syncora Settlement (which settlements together resolved all COP Claims in Class 9 under the Plan) only \$97,692,787 in aggregate principal amount of New B Notes (of the \$161,828,091 initially allocated to Class 9) was distributed to holders of Allowed COP Claims. See Plan, at § II.B.3.p.i.A (providing that each Settling COP Claimant will receive, among other consideration, its Pro Rata share of "New B Notes in the face amount of \$97,692,787").<sup>9</sup> The remaining \$64,135,303 in aggregate principal amount of New B Notes initially allocated on account of Class 9 COP Claims constitutes the Excess New B Notes, which were reallocated under the Plan for the benefit of Class 7 (Limited Tax General Obligation Claims), Class 12 (OPEB Claims) and Class 14 (Other Unsecured Claims).<sup>10</sup>

12. Having previously settled with the Retiree Committee and the holders of Limited Tax General Obligation Claims, the City engaged in

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<sup>9</sup> The combined aggregate principal amount of New B Notes to be distributed on account of COP Claims under the Syncora Settlement and the FGIC/COP Settlement increased by \$1 to \$97,692,788 as a result of rounding.

<sup>10</sup> Excess New B Notes in principal amount of \$48,707,556 initially were allocated to Class 9 on account of claims resolved by the FGIC/COP Settlement. The remaining of Excess New B Notes in principal amount of \$15,427,747 initially were allocated to Class 9 on account of claims resolved by the Syncora Settlement.



mediation with these parties regarding the appropriate allocation of Excess New B Notes among the foregoing classes. As a result of this mediation, the parties agreed that recoveries on account of Other Unsecured Claims in Class 14 under the Plan would be supplemented by \$4,116,429 of the \$48,707,556 in aggregate principal amount of Excess New B Notes.

13. In sum, therefore, the total allocation of New B Notes on account of such claims can be summarized as follows:

Initial Allocation of New B Notes	\$16,480,318
Allocation of Excess New B Notes	\$4,116,429
<b>Total Allocation of New B Notes for Pro Rata Distribution to Holders of Allowed Class 14 Other Unsecured Claims</b>	<b>\$20,596,747</b>

This calculation is consistent with the provisions for treatment of Class 14 Claims in Section II.B.3.u.i of the Plan.

Dated: April 22, 2015

Respectfully submitted,

/s/ Heather Lennox

Heather Lennox (OH 0059649)

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ATTORNEYS FOR THE CITY

**CERTIFICATE OF SERVICE**

I, Heather Lennox, hereby certify that the foregoing *Supplemental Statement of the City of Detroit Regarding the Allocation of New B Notes to Holders of Other Unsecured Claims in Class 14 Under the Eighth Amended Plan for the Adjustment of Debts of the City of Detroit* was filed and served via the Court's electronic case filing and noticing system on this 22nd day of April, 2015.

/s/ Heather Lennox \_\_\_\_\_